

THE MADRAS LEGISLATIVE COUNCIL.

Saturday, the 22nd January 1949.

The House met in the Council Chamber, Fort St. George, at eleven of the clock, Mr. President (THE HON. SRI R. B. KAMAKRISHNA RAJU) in the Chair.

I.—QUESTIONS AND ANSWERS.

STARRED QUESTIONS.

Alleged entry of French Indian Military Police into the Indian territory.

* 178 Q.—SRI S. B. ADITYAN: Will the Hon. the Premier be pleased to state—

(a) whether it is a fact that a report was received by the Police that (i) French Indian Military Police from Mahe crossed into Madras Province (Indian Union territory) on or about the 11th November 1948 and (ii) one Narayanan Nair was shot at and arrested by the French Police while he was in Indian Union territory; and

(b) if the answer to (a) is in the affirmative, (i) whether any and what action has been taken in the matter and (ii) whether the attention of the Government of India has been drawn to the incident?

THE HON. DR. T. S. S. RAJAN (on behalf of the Hon. the Premier):—“(a) (i) & (ii) No. According to a report received from the District Magistrate, Malabar, one Kuttipunathil Narayanan of Manjakkal in French territory was arrested by the French police on the morning of 10th November 1948, in French territory, near the Mahe railway station.

“(b) (i) Does not arise.

(ii) The Government of India have been informed of the correct version.”

DR. V. K. JOHN:—“Have the Government of this Province taken up this matter with the Government of India that we should integrate foreign possessions in South India?”

THE HON. DR. T. S. S. RAJAN:—“No. Sir. This question refers only to an incident which was rather confused. People here thought that one of the Union citizens was arrested and dealt with. Information now discloses that he was a French citizen arrested by the French police. As regards the other question, it is a much bigger question and we are not directly concerned with this. We as the Provincial Government have informed the Central Government of this fact.”

[22nd January 1949]

DR. V. K. JOHN :—“ Are Government quite sure that no Indian Union subject was arrested by the French police in Indian Union territory? ”

THE HON. DR. T. S. S. RAJAN :—“ No, Sir.”

Police officers of Madras Province sent for duty in the Hyderabad State.

* 179 Q.—SRI MOTHEY NARAYANA RAO : Will the Hon. the Premier be pleased to state—

(a) the conditions on which the police officers of this Province have been sent for duty in the Hyderabad State;

(b) the period for which their services have been lent; and

(c) whether the promotions, etc., of the various officers will be affected on account of their stay in the State?

THE HON. DR. T. S. S. RAJAN (on behalf of the Hon. the Premier) :—“ (a) The matter is under consideration.

“ (b) No period has yet been fixed.

“ (c) The answer is in the negative.”

SRI M. NARAYANA RAO :—“ May I know, Sir, whether in consideration of the difficulties involved in the task, the Police officers will get any extra remuneration from the Nizam's State? ”

THE HON. DR. T. S. S. RAJAN :—“ Such officers who serve will certainly be remunerated by the Nizam's Government.”

SRI M. NARAYANA RAO :—“ I want to know if they get any additional remuneration for the task they take upon themselves? ”

THE HON. DR. T. S. S. RAJAN :—“ I should have time to enquire into the matter, Sir.”

Review of work done in the Research sections of the Agricultural Colleges.

* 180 Q.—SRI R. SURYANARAYANA RAO : Will the Hon. the Minister for Finance be pleased to state whether it is a fact that the Retrenchment and Reorganization Committee has recommended that a review of the work done in the Research sections of the Agricultural Colleges and Agricultural Stations should be undertaken with a view to assess the value of work already done and to prepare a plan for the future and if so how the Government propose to implement the recommendation?

THE HON. SRI B. GOPALA REDDI :—“ The Retrenchment and Reorganization Committee has recommended as follows :—

‘ The Committee understands that a survey of the research work and field staff has not been made within recent times. In view of the large staff employed and the importance of

22nd January 1949]

the work to be done and the development in various directions necessary, the Committee considers that a survey should be made by some competent person or persons and advice taken as to the organization, teaching and field work.'

"Agricultural Research being a technical matter, the Government are of the view that it would be useful if the research work carried out by the Agricultural Department at the Agricultural Colleges and Research stations is reviewed once in three years and have decided that a Committee of experts of about five members from within and outside the Agricultural Department should be entrusted with this work. Proposals for the constitution of the Committee with details regarding the terms of reference to be suggested to it, etc., are awaited from the Director of Agriculture."

Appointment of Assistant and Deputy Panchayat Officers.

* 181 Q.—SRI R. SURYANARAYANA RAO: Will the Hon. the Minister for Local Administration be pleased to state—

(a) whether there is any difference in status and emoluments of those two kinds of posts—Ex-Assistant Panchayat Officers and Deputy Panchayat Officers;

(b) who the authorities appointing the Assistant Panchayat Officers and Deputy Panchayat Officers are;

(c) whether the posts of District Panchayat Officers and Deputy Panchayat Officers are interchangeable with those of the posts of Commissioners of Municipalities and Executive Officers of Panchayats;

(d) whether it is a fact that the service under a municipality and a local board belongs to different cadres; and

(e) whether the proposal to transfer the recruitment to all those posts to the Public Service Commission or to create a separate Public Service Commission for Local Board and Municipal Services has ever been considered by the Government?

THE HON. SRI K. CHANDRAMOULI :—“(a) Yes.

“(b) The President, District Board (now the Special Officer).

“(c) No.

“(d) Yes.

“(e) The matter is under consideration.”

SRI R. SURYANARAYANA RAO :—“May I know, Sir, whether the duties of the Assistant Panchayat Officers and the Deputy Panchayat Officers differ in any way?”

THE HON. SRI K. CHANDRAMOULI :—“Yes, they differ. Hitherto the Assistant Panchayat Officers have no control over the executive officers. But the present Deputy Panchayat Officers supervise and advise the executive officers to carry on the duty.”

[22nd January 1949]

Sending of Secretaries of Government to districts to announce the decisions of Government.

* 182 Q.—SRI K. MANATHUNAINATHA DESIGAR : Will the Hon. the Minister for Industries be pleased to state—

(a) on what occasions previous to 23rd October 1948, Secretaries of Government were sent to districts to announce decisions and policies of Government; and

(b) if on no previous occasion it has happened, why the above course was adopted, when the Joint Secretary was sent to Tanjore to announce the decision of the Government *re* Agrarian Labour dispute on the 23rd October 1948?

THE HON. SRI H. SITARAMA REDDI :—“(a) All decisions of the Government are communicated by Secretaries to the Government, Secretaries who are declared to be Presidency Touring Officers, e.g., the present Joint Secretary and his predecessor, have both had to announce and explain the decisions of the Government in districts on many occasions.

(b) Does not arise.”

[* 183 Q.—The question was not put.]

Industries owned and managed by European firms.

* 184 Q.—SRI P. VIRABHADRASWAMI : Will the Hon. the Minister for Industries be pleased to state—

(a) the industries in the Province that are owned and managed by European firms with a major portion of European capital; and

(b) whether the Government propose to purchase these mills?

THE HON. SRI H. SITARAMA REDDI :—“(a) The Government do not have full information.

“(b) No, Sir.”

* 185 Q.—SRI R. SURYANARAYANA RAO :—“In view of the long answer, Sir, which the Hon. the Minister has laid on the table will it be convenient, Sir, to take up this question the next day.”

MR. PRESIDENT :—“The question will be put the next day.”

[Note.—An asterisk (*) at the commencement of a speech indicates revision by the Member.]

II.—MESSAGE FROM THE ASSEMBLY.

MR. PRESIDENT :—“I have to announce to the House that messages have been received from the Hon. the Speaker of the Madras Legislative Assembly transmitting copies of the following Bills as passed by the Assembly :—

(1) On 20th January 1949—The Madras City Police and Gaming (Amendment) Bill, 1948 (L.A. Bill No. 10 of 1948); the

22nd January 1949] [Mr. President]

Madras Commercial Crops Markets (Amendment) Bill, 1948 (L.A. Bill No. 1 of 1948); the Madras Essential Articles Control and Requisitioning (Temporary Powers) Amendment Bill, 1948 (L.A. Bill No. 2 of 1949 and the Madras Agriculturists Relief (Amendment) Bill, 1949 (L.A. Bill No. 3 of 1949).

(2) On 21st January 1949—The Madras Municipal and Local Boards (Amendment) Bill, 1948 (L.A. Bill No. 4 of 1949) and signed by him for the concurrence of the Council.' "

III.—SITTINGS OF THE HOUSE.

MR. PRESIDENT :—" Is it agreed that we are meeting on the 25th afternoon? "

THE HON. DR. T. S. S. RAJAN :—" Yes, Sir."

SRI K. MANATHUNAINATHA DESIGAR :—" May I know when we are meeting again? "

MR. PRESIDENT :—" We are meeting on the 25th afternoon, and we will have to go on for two days. I give this information to hon. Members who would like to reserve berths in trains."

IV.—DEMANDS FOR GRANTS FOR EXCESS EXPENDITURE IN 1945-46.

* DR. V. K. JOHN :—" Mr. President, Sir, I think it is quite in order and quite necessary that there should be a demand for excess of expenditure, although it is excess of expenditure incurred in 1945-46, about four years ago. Sir, I am not quite sure whether the Assembly would pass this demand, but as far as this Council is concerned, we are only discussing the demand. The report of the Public Accounts Committee on the accounts of the Province of Madras for the year 1945-46 reveals a very regrettable state of affairs. In introducing these demands, I did not hear the Hon. Minister or refer to the regrettable state of affairs revealed by this report. I shall not give many instances, but I am anxious, Sir, to know whether this regrettable state of affairs continue even to-day. I want to know whether the conditions that existed in 1945-46 and thereafter continue even to-day in Government departments. Sir, this report gives us an insight into the working of Government departments, which when pointed out, this House will find to be regrettable and deplorable. Sir, at page 9 of the report it is said—

" The Accountant-General has pointed out that in respect of the payments made during the year 1944-45 in connection with the State Trading Schemes administered by the Director of Agriculture, vouchers and payees' receipts for amounts aggregating to Rs. 7,12,798 still remain to be submitted to audit."

Sir, how are the Government departments working at present? Have the Government taken any steps to understand and get into order the regrettable feature of the working of the Agriculture department in 1944-45 and for some years later? Receipts amounting to 7 lakhs of rupees have still to be submitted to audit. It is not one or two rupees."

MR. PRESIDENT :—" The accounts relate to 1944-45."

[22nd January 1949]

* DR. V. K. JOHN :—“ That is true. That state of affairs may continue even to-day. That system may continue. If it existed in 1944-45 and the Accountant-General in 1948 could not get the payees' receipts, that state of affairs may continue even to-day. We do not know the state of affairs in this department. It is said that vouchers and payees' receipts for an amount aggregating to 7 lakhs and odd still remain to be submitted to audit.”

THE HON. SRI B. GOPALA REDDI :—“ Please read the next sentence.”

* DR. V. K. JOHN :—“ Sir, the report says—

‘ It has been explained to us that a substantial portion of the amounts held under objection has since been cleared (leaving an amount of Rs. 1,76,000 outstanding on 16th February 1948).’

Look at the words used in respect of the remaining amount.

‘ In respect of the remaining amount, the records of the office of the Director of Agriculture show that the necessary stamped receipts were sent to the Accountant-General, but as they are not traceable in his office’

First, receipts are not traceable for amounts aggregating to seven lakhs of rupees. Certain receipts have been obtained and sent to the Accountant-General, and they are missing in the Accountant-General's office! Sir, that is how the Government of this Province are functioning.”

THE HON. SRI B. GOPALA REDDI :—“ The Accountant-General's office is not under the control of the Government of Madras.”

* DR. V. K. JOHN :—“ These are receipts that are missing. The Hon. Minister might point out that in 1944-45 he was not in office. But there is continuity, Sir. He is here before this House because he is the successor to an office.”

MR. PRESIDENT :—“ I think they are trying to clear it.”

* DR. V. K. JOHN :—“ The Hon. Minister did not tell the House that although the conditions in 1945-46 were very regrettable, they do not continue to exist to-day. Cannot we assume that these departments—after all only the Ministers have changed—which are responsible for not getting receipts to the tune of so many lakhs of rupees”

MR. PRESIDENT :—“ It is not a change of ministry.”

DR. V. K. JOHN :—“ It is a change of Government. The Ministers are members of the Government. I am anxious and the public should be anxious that this regrettable state of affairs revealed by this report might still be continuing. The Hon. Minister said that the Accountant-General is not under his jurisdiction. But the Accountant-General's office is dealing with our accounts, and surely the Hon. Minister can take this matter up with the Government of India that the Accountant-General's office is not functioning well and that receipts sent there have been lost or that they have not been put in a safe place. After all, it is for the Government to do that.

22nd January 1949]

[Dr. V. K. John]

"The Public Accounts Committee further say 'we consider that the defects brought to notice are serious and regrettable'. It is not only one instance; we find so many defects. But at the end of the report, somebody seems to have persuaded them to say—

'We have carefully examined the reasons for the excess expenditure under each of the Authorized grants concerned. We recommend that a demand to cover the expenditure in excess of the amount available under each grant be presented to the Legislative Assembly.'

In the earlier portion of the report, they say that the state of affairs in many matters is very serious and regrettable. But at the end they forgot what they wrote in the beginning, and have made the recommendation that the demand be presented to the Legislative Assembly. Perhaps the present Government were able to persuade them to cover up the sins of their predecessors in office.

"I now pass on to State Trading Schemes. The report says—

'In respect of the maintenance of the *pro forma* accounts of the Handloom Standard Cloth Scheme, the Accountant-General has brought to notice that the audit of the initial accounts of the Collective Weaving Centres revealed the following irregularities:—

(1) Moneys collected in the Centres not properly accounted for.

I want to enquire, do those officers responsible for this state of affairs continue in office (?). Or have they got promotions and got out of their places?

(2) Delays in remittances of moneys to the Treasury.

This would amount to temporary misappropriation.

(3) Non-availability of certain vouchers relating to purchase.

It is a very serious matter for a Government department to say that vouchers are not available for goods purchased.

(4) Incorrect accounting of stock in one Centre.

I ask, Sir, have the present Government investigated this matter and brought to book the persons responsible for this state of affairs?

(5) Utilization of departmental receipts towards departmental expenditure without proper authority.

What could be worse, Sir, than Government employees spending Government money without proper authority. Now, after four years, we are discussing the demand. The irregularities pointed out show a very unsatisfactory state of affairs. Not one word was uttered by the Hon. Minister who initiated the discussion to allay the apprehensions of this House whether the defects revealed by the Public Accounts Committee still continue in the various Government departments, and whether steps have been taken to punish the officers who have been responsible for the irregularities involving lakhs of rupees—not one rupee or ten rupees or hundred rupees or thousands of rupees, but lakhs of rupees.

"Now I pass on to another item.

"At page 32 of the Report, under Grant XXXI—Miscellaneous 11-3
(Excess Rs. 3,78,84,582), the report says— a.m.

'According to the decision of the Government, the net surplus in the Revenue Account in 1945-46 in round lakhs, after meeting the net outlay on State Trading Schemes finally debitable to the Revenue Account was transferred

[Dr. V. K. John]

[22nd January 1949]

to the Revenue Reserve Fund, leaving only a part of a lakh as the final revenue surplus. As a result of the revenue position which was known definitely only when the accounts for 1945-46 were finally closed, i.e., by about December 1946, the amount transferred to the fund was Rs. 1,731 lakhs against the estimated amount of Rs. 1,268 lakhs. This resulted in an excess expenditure of Rs. 463 lakhs, for which it was not possible to sanction the necessary appropriation before the close of the year 1945-46. The total net excess under the grant, however, is only Rs. 3,78,84,582.

"Now, Sir, we are dealing with three and odd crores, nearly four crores of rupees, spent without authority and who spent it, Sir? Government servants who ought to know better. Now, Sir, this excess demand has come to-day four years later and the Government to-day can say, we are not responsible for this irregularity for the excess expenditure but being successors, we have to bring it before the House. But, what I am most concerned is this. I expect the Hon. Minister will satisfy this House. Is it an accident that these irregularities took place in the year 1944-45 or is the same department continuing with the same officers or substantially the same officers? I want to know whether any steps have been taken against officers who have been responsible for these. If so, what steps have been taken to see that the vouchers are obtained from the various departments and passed on to the Accountant-General in time? Are monies spent only for amounts sanctioned in advance? Are remittances made to the treasury in time? Are these irregularities pointed out in this report still continuing in any department of the Government?

"Sir, I am glad that the Government thought it fit that the excess expenditure of 1945-46 not having been passed by the Governor under section 93 of the Government of India Act, should be brought before the Legislature. But, Sir, the advantage is that although the amounts have been spent and nothing can be done now and it is probably all a farce, still the Council can discuss it. Sir, this report has been brought to show how the Government departments function. Sir, I say that this House should take very serious notice of the many, many irregularities committed in which very huge amounts to the tune of crores are involved. Surely, Sir, I would ask the Government to appoint a Committee. The Government ought to go into this matter and satisfy public opinion and also satisfy the Members of this Honourable House. I say that the Public Accounts Committee must go into the question to find out what is the state of affairs to-day and to see whether there was any miraculous change when the present Government took charge so that there are no such irregularities at all and if there are irregularities, what steps were taken and would be taken hereafter to remedy them. Sir, after seeing the state of affairs as reported by the Committee, every step should be taken by the Government to satisfy the members of this House and the other House and also the public and to see that Government departments are functioning efficiently and properly and that public revenues are not lost. I hope the Hon. the Finance Minister will give us an assurance that he will look into this matter."

MR. PRESIDENT:—"The actual accounts for 1946-47 must have been submitted to the House already."

22nd January 1949]

DR. V. K. JOHN :—“ These refer to items for which receipts and vouchers were not obtained.”

MR. PRESIDENT :—“ What I am saying is that the actual accounts of subsequent years must surely have come before the House.”

THE HON. SRI B. GOPALA REDDI :—“ The Auditor-General's report is also before us as also the report of the Public Accounts Committee and both are before the House for discussion.”

MR. PRESIDENT :—“ This relates to 1945-46. Are such irregularities continuing now? ”

THE HON. SRI B. GOPALA REDDI :—“ If there are any irregularities this year, they will be revealed only in the Auditor-General's Report next year.”

MR. PRESIDENT :—“ Have you not got the audit report for 1946-47 yet? ”

THE HON. SRI B. GOPALA REDDI :—“ That will be presented next year.”

DR. V. K. JOHN :—“ That is, five years later. The Government are working in such a way that the audit report will come five years after and we will have to discuss it then.”

MR. PRESIDENT :—“ When do you get the audit report for 1946-47? ”

THE HON. SRI B. GOPALA REDDI :—“ This particular report was received in July 1947 and the Public Accounts Committee Report was received in February 1948. Of course, it took some time for us to get the report due to the expansion of the departments from time to time and hence we could not present it to the House in July last year itself.”

MR. PRESIDENT :—“ That is all right. I want to know, so far as any year is concerned, say 1946-47, whether the Government do not get the audit report by the end of next year.”

THE HON. SRI B. GOPALA REDDI :—“ These are abnormal times. The Auditor-General also took some time to scrutinise the items relating to all the various expanding departments. Then, the departments have to reconcile some discrepancies for which the officers take some time.”

DR. V. K. JOHN :—“ The difficulty for this House is that demands are brought forward and we discuss them without knowing what the report of the Public Accounts Committee or that of the Auditor-General is. The Hon. Minister simply tells what the income is and what the expenditure is. But, how the money has been spent is not known at all. Now, we have an opportunity because they have delayed for five years in presenting this report. Of course they have explained why they have brought it too late. At least now they were kind enough to bring the Report of the Public Accounts Committee and the Auditor-General's Report before the House.”

[22nd January 1949]

THE HON. SRI B. GOPALA REDDI :—“ It is less than three years.”

DR. V. K. JOHN :—“ I thank the Hon. Minister for saying that from 1945 to 1949, it is less than three years. I studied Mathematics in a different way. (Laughter.) I yield to the Hon. Minister now if he says that it is less than three years. He is the Finance Minister”

THE HON. SRI B. GOPALA REDDI :—“ Yes, it is from March 1946. We are now in January 1949. From March 1946 to January 1949, it is not even three years.”

DR. V. K. JOHN :—“ I yield to him, Sir. But, the point is that we are entitled to know how the departments are functioning as far as finances are concerned. We have a large number of trading concerns. The Hon. the Minister for Finance is himself in charge of transport where lakhs of rupees are involved. We do not know the state of accounts in the Transport department, whether moneys are remitted properly, whether there are proper receipts, etc. As far as the Hon. Gopala Reddi is concerned, I paid to him a compliment when we discussed the transport problem that he is paying his very close attention to it. After all, the Minister by himself cannot do the whole work of accounting. But there are subordinate officials. I want to know whether those subordinate officials who were responsible for this state of affairs are still continuing. I want an assurance from the Hon. Minister that a thorough enquiry would be made into the irregularities of these departments in 1945-46 and also in subsequent years. I am quite sure that the Government regret more than anybody else the state of affairs which are revealed by this report of the Auditor-General.

“ Then, Sir, I have also to make a request to the Government that we should like to have the Auditor's report every year when the Budget is presented. Whatever the report that is available might be presented to the House so that when they are asking for such large amounts, we might know how they are spent and the *modus operandi* of spending these amounts, so that it would give more insight into those reports. I hope the Hon. Minister will take the House into his confidence in giving these reports in time so that the House may go into the *modus operandi* of the expenditure of huge amounts by various departments from time to time; particularly because Government are doing a large business especially in foodstuffs which we cannot avoid for some years to come, we should like to know how the amounts are spent, whether they are spent properly and whether any serious defects are revealed. I hope the Hon. the Finance Minister will let the hon. Members of this House and the public know the exact state of affairs as revealed by the Accountant-General and the Auditor-General.”

* DR. SIR A. LAKSHMANASWAMI MUDALIYAR :—“ I should like to support Dr. John in his criticism of the report of the Public Accounts Committee. It is most unfortunate that the report of the Committee for 1945-46 should be made available in January 1949. That necessarily implies that much of the criticism that is made and the views expressed in this House will not have any

[22nd January 1949] [Dr. Sir A. Lakshmanaswami Mudaliyar]

maternal value because most of the persons connected with the accounts of this period would not possibly be in their respective places. I should like to make a suggestion at this stage—I have also made this suggestion on former occasions—and that is, if possible the administration reports of the Government in all the departments should be made available before the close of the next financial year and that in the matter of the Public Accounts Committee Report, it should be the invariable rule, as it is in all business concerns, that the report must be made available before the next financial year. I hope hon. Members will agree that Government, after all, is a great business concern and a business concern cannot run efficiently if it adopts a dilatory attitude as is done by one of the departments of Government. The year for which the report is presented, it is true, was a period prior to the date when the Ministry came into office."

MR. PRESIDENT :—" So far as Government departments are concerned, audit is going on every month. As you go on spending, audit is going on."

THE HON. SRI B. GOPALA REDDI :—" Most of the standing committees that are attached to the various departments will be looking into the accounts."

MR. PRESIDENT :—" So far as business concerns are concerned, they submit their accounts at the end of the year to the auditor, that is, only after the year is over. But, so far as Government departments are concerned, I know there is what is called concurrent audit which is going on every month so that at the end of the year, we may have the audit report easily."

* DR. SIR A. LAKSHMANASWAMI MUDALIYAR :—" Government departments as some other bodies have concurrent audit. For instance, the University is one which is having concurrent audit. As a matter of fact, I may state that the accounts of the University are audited within the next financial year and they are presented to the authority, namely, the Senate, to be examined by it. I do not see any reason why such an audit report should not be available to the Legislature. My point is that if this refers to the year 1945-46 the delay will be continued right through and the audit report for 1947-48 will be available in the year of grace 1951-52. There is no possibility of checking this unless the machinery is speeded up now, and the arrears of the last three years are cleared, so that we may be able to get these audit reports not annually but within the course of the next two or three months. I would respectfully submit that the Finance Minister should take this up with the persons concerned and see that the Public Accounts Committee meets more frequently and discharges its duties, and that all available material is placed before it, so that within the next two or three months we will be in a position to clear off these arrears and in future the accounts of every year will be submitted before the close of the next financial year. That, it seems to me, is most important."

" With regard to this report, I am sorry, I was not present when the Finance Minister presented it"

11.45
a.m.

[22nd January 1949]

MR. PRESIDENT :—“ He did not make any statement.”

DR. SIR A. LAKSHMANASWAMI MUDALIYAR :—“ Then I will not be trenching on any expression that he has already used, but I should like to know certain things with reference to the remarks mentioned on page 6 of the report : ‘ . . . the Public Works Workshop at Madras has sustained an increasing loss of Rs. 95,610 in 1944-45 and Rs. 1,13,797 in 1945-46, against a loss of Rs. 75,623 in 1943-44’ It seems to me extraordinary that in the Public Works Workshop, things should be going on in such a manner that the losses have actually increased. There is one suggestion which has been made, namely, that the centage charges should be raised from 28 per cent to 40 per cent. Nothing is given in explanation, as to why this should be raised from 28 per cent to 40 per cent, why the overhead charges should be so heavy. If this was a business concern, dealing with the sort of work that the workshop is supposed to do, it would be unthinkable for any business concern to charge 40 per cent for overhead charges and then to expect any profit whatsoever. The difficulty with regard to these schemes of State management—and I am coming to the State trading schemes presently—is that it is nobody’s concern to see whether there is a loss or profit. Nobody is interested in it, except perhaps the Minister in charge of that department, and the Finance Minister. That is why all our State trading schemes are going to be ruinous concerns, so far as the tax-payer is concerned. I should like to know the manner in which the Government are going to make them commercial propositions and if they are not in a position to make them commercial propositions, I think they ought to come forward and tell us ‘ We cannot manage this business concern; nobody is interested in it, and therefore the loss is colossal.’ I am sorry I feel a presentiment that the further trading concerns that have been taken on by this Government will be ruinous ones too—trading concerns about which the audit report has spoken.

“ Then again, Sir, in page 7 under the head ‘ Capital Outlay on Provincial Schemes connected with the war—Losses incurred by the Government on (i) rice, (ii) wheat and wheat products, (iii) other grains and (iv) firewood’, under the head ‘ Firewood ’ the losses amounted to Rs. 4,83,513. The Board of Revenue is satisfied, sitting in the cool chambers, that this loss of Rs. 4,83,513 is reasonable. I should as a layman like to know how this amount disappeared. Was there any fire in the firewood depots? ”

THE HON. SRI B. GOPALA REDDI :—“ It was due to dryage.”

* DR. SIR A. LAKSHMANASWAMI MUDALIYAR :—“ I am glad I did not take to the profession of a firewood depot-keeper, because I should have been always on the loss side, and never on the profit side. Does dryage exist only in Government firewood depots, or does it occur in all other depots as well? You have got places for storage, and still Rs. 4,83,513 have disappeared, on

22nd January 1949] [Dr. Sir A. Lakshmanaswami Mudaliyar]

account of dryage. It seems to me, some other 'age' must have crept into these Government firewood depots, not dryage. Unfortunately the Public Accounts Committee say 'We accept the explanation,'—I do not know on what grounds. For me it seems unthinkable that this loss should have been accepted in so easy a manner. Sir, in another place, it has been explained to us that the loss was not due to any fault on the part of the officers of the Agricultural Department, but was due to losses in transit and in storage, and to deterioration and damage caused to the stocks by continued exposure to the sun on the railway premises, due to long delay in the supply of wagons, before the stocks arrived at the destination. That is perfectly true. Have the Government taken any steps subsequently to see that this long delay on the part of the railway authorities is curtailed to some extent? If I am not mistaken, Sir, the position is much worse to-day than it was before. At least during the period of the war, a certain amount of haste was exercised in sending goods and in seeing to it that their transport was expedited. I think a casual visit to any railway platform or any stockyard will reveal that to-day, unfortunately, merchants are suffering great losses because there is no protection neither against the sun nor against the rains, for their goods. It seems to me that when we are in need of so much rice on account of the food shortage, something should be done, and this Government should not hesitate to impress upon the Central Government that if they are not able to get proper rolling stock, they must at least see that there is something provided temporarily to preserve these valuable foodstuffs. I know that as a matter of fact, many merchants feel that the foodstuffs that are sent out are consigned in such a manner that they are almost unsaleable after some months of delay, soaked all through in the rain, and kept sun-burnt in the hot sun.

"Then again it is stated that in regard to pearl fisheries 'The Accountant-General reported that the expenditure during the year 1945-46 amounted to Rs. 21,628 as against Rs. 3,45,111 in the previous year, although no pearl fishery operation was carried out during 1945-46 also. We have been informed that the expenditure related mainly to the maintenance charges of the vessel 'Lady Nicholson' used both for pearl and chank fisheries operation.' This 'Lady Nicholson' seems to be a very extravagant lady indeed. To maintain this 'Lady Nicholson', we had to spend Rs. 21,628. One would like to know further details as to the manner in which this lady was looked after during the period in question, when there were no pearl fisheries operations conducted by the Government of India."

THE HON. SRI B. GOPALA REDDI :—"Ladies will have to be looked after well."

* DR. SIR A. LAKSHMANASWAMI MUDALIYAR :—"I hope that practice does not continue now."

"Then, on the same page it is stated 'the Accountant-General has reported in particular that the cashbooks and ledgers were not maintained properly both by certain officers of the Civil Supplies Department and by some other quarters.' What are the instructions that the Finance Department has issued on these remarks,

[Dr. Sri A. Lakshmanaswami Mudaliyar] [22nd January 1949]

which are certainly very very great? I know how I would be hauled up, if anything like this were to be found by even a single member who attends some of our meetings. I feel inclined to quote this on a future occasion and take shelter by saying that 'I am following Government policy in this respect.'

"In regard to the State Trading schemes under the control of the Director of Industries and Commerce, the working of the schemes for the year 1944-45 resulted in a net profit to the Government, except in respect of the schemes relating to the steel stock-yard and the two handmade paper units at Gazulapalli and Bugga. The net loss sustained by the Government on the working of the steel stock-yard scheme was Rs. 412-5-8. The two hand-made paper units sustained a loss of Rs. 12,161 and Rs. 3,606, due to high cost of production. In all these State Trading schemes, I venture to submit to the Finance Member that he should be the watch-dog of this House, and of the Province, as different departments may have different methods of showing profit and loss in these State Trading schemes. I mean no reflection, but it is perfectly true that all business concerns and all those who are interested in business concerns have their own different methods of showing profits and loss. It should be the endeavour of the Finance Minister to go into these, and try to get actual figures of profit and loss, and see that a uniform method of accounting is adopted in the various departments. I am not satisfied that at present the principles of depreciation are properly accounted for, or that a uniformity exists in all these matters. This criticism of the report has nothing to do with the existing state of affairs in the Government; nor are our Ministers responsible at all for this state of affairs. But I am not quite sure, Sir, whether the traditions of a previous Government have been entirely eradicated, by their successors in this respect. I know in many other respects, they have eradicated them, with not all of which we may be inclined to agree. But in this most valuable thing in regard to accounts and proper auditing, I wish once again to emphasize that unless the Government take it up seriously, and the Finance Member makes it his business through the Public Accounts Committee to scrutinize the accounts of every department of Government mercilessly, be they his colleagues of less or more friendship—I believe with the Finance Member, all are of equal friendship unless therefore the financial accounting, and the yardstick by which the regularity and the precision with which these accounts are being maintained are looked into are improved we shall be in a very serious state of affairs. I am hoping against hope that the report that the Finance Member will be able to present to us will present a different state of affairs. But I must confess I have my own serious misgivings from what little I have come to know about the state of affairs in some of the departments. I desire therefore that it will be your directive, and the Finance Member's obligation to present these reports as I said for the next two years, before April of this year, and then see that the report for the year 1948-49 is presented before January 1950."

* SRI R. SURYANARAYANA RAO :—"Mr. President, Sir, it so happens, that almost all the points I wanted to mention have been exhausted by the Leader of the Opposition, Dr. John, and

22nd January 1949] [Sri R. Suryanarayana Rao]

Dr. Lakshmanaswami Mudaliyar. I would like yet to draw the attention of the House to one or two other points. We have been asking in this House that there should be a Standing Finance Committee of the Legislature. But now they have a Standing Finance Committee of the Cabinet which is virtually a limb of the Cabinet. The difference between a Standing Finance Committee of the House, and one of the Cabinet, may be easily realized. The Accountant-General has drawn the attention of Government to the utilization of unanticipated credits by spending departments of Government, and has suggested that in view of the absence of the Standing Finance Committee of the Legislature such an utilisation should be subject to the consent of the Legislature. I would like the Finance Minister to revert to the old system of having a Standing Finance Committee of the House.

"As regards the remedies adopted by Government in dealing with their concerns, they do not examine each case on its intrinsic merit. If there is mismanagement by their officers, or if there are losses, perhaps sometimes unavoidable, the only course the Government adopt it to wit these concerns. That I feel, is a confession of weakness. When once a scheme is undertaken by Government, after satisfying themselves as to its intrinsic merit, it should be the endeavour of Government to carry out the scheme successfully, seeing to the rectification of all defects that lead to losses, such as mismanagement, etc.

"I have in my mind the hand-made paper units. My hon. Friends sitting on the Treasury Benches swear by hand-made paper. (The Hon. Sri B. Gopala Reddi: Hand-made things generally.) These hand-made paper units that were started in Gazulapalli and Bugga have been wound up because they were not run on a commercial basis and did not yield profits but caused losses. Have the Government tried to find out why there were losses—whether the places chosen for the development of hand-made paper were rightly chosen and whether the circumstances were favourable for making the units a success? If the circumstances were not propitious why have they not transferred the units to other places and made them a success? What is the object of these units? The idea is to spread the practice of making hand-made paper in the surrounding areas and to see that the people trained in these units go back to their villages and start making hand-made paper. But the only two hand-made paper units have been closed. Practically there are no hand-made paper units now. Perhaps some private individuals might be running some units. But is this the support which the Government give to a cottage industry like hand-made paper making? Sir, the easiest way of disposing of a thing which we are not able to run at a profit is to close it down. That is the easiest way of solving difficulties. I have mentioned hand-made paper as an instance, because that illustrates the attitude that we adopt in regard to almost all cottage industries. Now, Sir, certain cottage industries sponsored by the Government have not yielded good results. Have the Government taken the trouble to find out what the causes are and how those defects could be rectified instead of closing down those cottage industries?

12
noon.

[Sri R. Suryanarayana Rao] [22nd January 1949]

I would like the Government to take a realistic view of these things and approach them with a constructive mind rather than close them down as they are trying to do to-day.

“ My hon. Friend Dr. Lakshmanaswami Mudaliyar referred to the Public Works Department Workshop. There are many firms in this city which are running workshops. If they go on incurring losses continually as our Public Works Department Workshop is doing, do you mean to say that they would continue to maintain their workshops? During the war, there were heydays for these workshops and they made huge profits. How is it, Sir, that our workshops are always incurring losses? There is the suggestion by the Accountant-General that a committee should be set up for this purpose with the Chief Engineer and a few others. I should like, Sir, that none connected with the Public Works Department should serve on the committee. (Hear, hear.) Let those who can look at things from a commercial point of view, and suggest how to work the workshops successfully be appointed. Let them go into the whole system of work in these workshops and suggest remedies. Otherwise, Sir, it may end in our closing down the workshops, which I do not want. If the workshops go on incurring losses continually, the only remedy open to the Finance Minister will be to say that they had better close down the workshops as he could not allow them to incur losses any further. But that is not the method, because the Public Works Department Workshops will serve a useful purpose especially as a number of irrigation schemes are coming up and as they will have a lot of work to do. Therefore the question of how best to make the workshop avoid the losses is a point which I would like the Hon. Minister for Finance to examine. Let a Committee go into the matter, Sir.

“ Then Sir, about State Trading schemes, pointed attention was drawn to the unsatisfactory working by Dr. Lakshmanaswami Mudaliyar and Dr. John. This story that the accounts are not satisfactory is being repeated in all the Accounts which have been published. In the Appropriation Accounts for 1946-47, copies of which were supplied to us, this story was repeated. What is it that is wrong? When you start a business why should you not make the necessary arrangements for proper keeping of accounts? At present you recruit your Accounts Officers from the Accountant-General's Office and they know nothing of commercial accounts. Their methods of dealing with accounts in Government offices are different from those which are followed in trading concerns. In spite of the fact that the Accountant-General's Office supplies our Accounts Officers, the accounts are not satisfactory. There must be something wrong. We cannot go on at this rate, especially as our State Trading schemes have to be continued for some time more. The accumulation of losses will go up to crores and the Hon. Minister for Finance may raise his hands in despair. We would like him, Sir, if his Accounts Officers are not competent, to appoint people with knowledge of commercial accounts. (The Hon. Sri B. Gopala Reddi : They are not available.) Let such officers be

22nd January 1949] [Sri R. Suryanarayana Rao]

appointed on a contract basis. If you pay Rs. 200 and Rs. 250 you cannot attract the best men. Your salaries are so low that they will attract only the worst men and not the best men. Whoever is thrown out of employment anywhere seeks a job under Government, but not those with good commercial qualifications. I say, Sir, "Pay them well and get better work." Then you need not come before this House or the other House and say that your accounts are not satisfactory. I would implore the Hon. Minister for Finance to look into this matter. If he finds that his Accounts Officers are not up to the mark, let him recruit other men. I understand that the Public Works Department and the Electricity Department are recruiting Accounts Officers on a contract basis and they have advertised for applications. But I must say that the salary offered is not attractive to the best men. They have done well to have thought of appointing Accounts Officers on contract, but the salary offered is not inviting enough to attract the best and most experienced men. The tale of woe which the Hon. Minister for Finance has been repeating from year to year will continue to be repeated and he will feel helpless. I think, Sir, that a change in the mentality of the Government regarding payment to be made for services rendered should take place. Hon. Members sitting on the Treasury Benches who have dedicated their lives for service to the country may be willing to receive small emoluments and continue to discharge duties for which very highly paid men were employed. But when we cannot get such people in all walks of life, the Government should not hesitate to get the best men, pay them well and extract good work. I have made this suggestion, Sir, especially because the Hon. Minister for Finance is in charge of Government Bus Transport. There again, an Accounts Officer from the Accountant-General's Office is working. Their method of keeping accounts is different from the method adopted in business concerns. Therefore, in view of the fact that this is a huge trading concern of which the Hon. Finance Minister is in charge, let him take the services of well-qualified commercial accounts men so that the accounts may be kept in proper commercial method and presented in a form which will be understood by people engaged in commercial undertakings.

"Sir, I have nothing more to say except that this post-mortem examination is necessary, at least to enable hon. Members of this House and the other House to draw the attention of the Government to the existing state of things so that they may be remedied before it is too late."

* THE HON. SRI B. GOPALA REDDI :—"Mr. President, I am indeed thankful to hon. Members who have offered their remarks on the Public Accounts Committee Report and the Auditor-General's Report. It is but right that the Opposition should bring to the notice of the Government the irregularities in the various departments of the Government. I may assure the House that the Accountant-General and the Auditor-General are very vigilant in these matters and they are bringing to the notice of the Government every irregularity committed by any departmental head or

[Sri B. Gopala Reddi] [22nd January 1949]

department. Thanks to the Constitution, the Accountant-General and the Auditor-General are not within the jurisdiction of the Provincial Government. Their entire office, their appointments, promotions and disciplinary control are all vested in the Government of India. We are fortunate that at least the Accountant-General will not be charged with being subservient to the Provincial Government or with being dictated to by the Provincial Government. Having that privileged position, the Accountant-General with his huge staff is scrutinising the accounts of the Provincial Government from time to time and bringing every irregularity committed in any department to the notice of the Government. The Finance Department asks for the explanation of the departmental head on the objection of the Accountant-General. Both the objection of the Accountant-General and the explanation given by the departmental head are scrutinized by the Public Accounts Committee. The remarks of the Public Accounts Committee and all these explanations are now available to this House. Therefore, the mechanism and the set up are good, though it is inevitable when departments undertake suddenly huge state trading schemes, that a certain amount of irregularity will occur. It is not always that we can post experienced Accounts Officers to these schemes. As with every other kind of technical men, Accounts Officers are not available and experienced people are not forthcoming to undertake Government work and for various reasons it is not always possible to appoint an Accounts Officer whenever we start a new state trading scheme. Further during 1945-46, things were very abnormal. Expenditure had to be incurred with great expedition and what with the food and cloth situation, the steel, iron and cement position, the Government had to undertake a huge responsibility without the necessary technical staff, as it were. Some of the civilians and the Revenue Department people were put in charge of the State Trading schemes. They were not familiar with the maintenance of commercial accounts. The Accountant-General came up with objections and elaborate explanations had to be offered. Though some of these irregularities are inevitable we are taking steps to see that our officers in the State Trading schemes maintain their accounts in a proper manner so that we may be able to review their work from time to time. I am really sorry for the delay in bringing forward this report. There again we could not expedite the report, because the Accountant-General himself signed the report on 14th May 1947 after which it was despatched to the Auditor-General who signed it on 14th June 1947. Then it had to be scrutinized by the Public Accounts Committee. You are aware, Sir, that from time to time, on account of the prorogation of the Assembly and the Council, the Public Accounts Committee lapsed and we had to wait for the constitution of a new Public Accounts Committee when the Assembly met again. This is a very peculiar position in our rules by which whenever there is a prorogation of the Assembly the House Committee and the Public Accounts Committee lapse and we have to wait for the Assembly meeting again to elect fresh committees. For some time we had to wait for the reconstitution of the Public Accounts Committee and for one reason or other we could not do it before February 1948."

22nd January 1949]

DR. V. K. JOHN :—“ Cannot the rules regarding the appointment of these committees be changed? ” 12-15 p.m.

* THE HON. SRI B. GOPALA REDDI :—“ This is a matter for us to look into the rules whether they can be changed.

“ Of course, the Report of the Public Accounts Committee for the year 1945-46 was ready by about June or July last year but we could not present it to this House earlier than in January 1949. Whatever it is, I may assure the House that hereafter we will try to expedite the report to the extent possible. At the same time, I must say that the whole thing has to be examined by the Accountant-General and the Auditor-General and I have to call in explanations from the departmental heads and necessarily it takes a long time. Whatever it is, I will certainly take the hint of the hon. Dr. Lakshmanaswami Mudaliar into consideration and see that this report is given in good time, though it may not be available by the time the Budget is presented. I say this because elaborate details have to be scrutinized and the accounts have to be reconciled if there is a little discrepancy and finally it takes a long time in the Accountant-General's office. But this much I can say, that we will certainly see that these things are expedited in future.

“ With regard to irregularities, Sir, as I said, the Accountant-General is being put on this work and we must also remember that those times were abnormal and the departments had to be increased and they had to incur large sums of money in order to get food from outside or to get fuel for our people and various other matters to which they were put in charge.

“ Sir, sometimes it is said by some military people also that many a battle is lost by the Finance Department or the Audit Department. The Finance Department and the Audit Department are so extra careful about financial matters they do not allow any expenditure to be incurred unnecessarily. So much so, many times the Military experts used to say that had their proposals been accepted, perhaps things would not have occurred and we would not have got this reverse in the battle front. Many times they shrugged their shoulders belatedly and tried to put the blame on the Finance Department and the Audit Department. So also, our officers were charged with a huge responsibility in those days, especially at the time when the war was on and immediately after the cessation of hostilities certainly irregularities were inevitable as it were. But we must be thankful to our Accountant-General's Office and to our various officers for the shrewdness with which they are able to maintain their accounts and ultimately bring the accounts to the satisfaction of the Accountant-General.

“ Sir, some remark was made about the Fisheries Department and the Public Works Department. There again, sometimes we have to carry on some experiments though they may not yield good results. Still we are carrying on some experiments in the Fisheries Department.

“ About the Public Works Department also, I must say that it is not really a State Trading concern nor a profit-earning concern. We have to maintain our services. We have to maintain our

[Sri B. Gopala Reddi] [22nd January 1949]

machinery. And then, public workshops can never be, a profit-earning concern as any other industrial concern is. As a matter of fact, we had thoroughly gone into the question and yet these losses were inevitable, though in this case the centage charges of 40 per cent were so high. But we shall certainly see what could be done in that regard.

“Dr. John was very critical about the various irregularities. Though he has done his best to bring to greater prominence these irregularities which were scrutinized and examined by the Public Accounts Committee, the one little mistake he did was that he thought that an excess expenditure of about three crores was incurred by the Government and that we are now asked to sanction that excess demand. As a matter of fact, if we read that paragraph which he read in the Report of the Public Accounts Committee, we will see that it was no expenditure at all. The Government of the day thought that they could safely transfer twelve crores from the Revenue Surplus to the Revenue Reserve Fund which they set up for the Post-war Development Schemes. When the final accounts were drawn up, they thought that they could transfer this amount, without any detriment, to the Revenue Reserve Fund. And what was excess was shown as a sort of expenditure though, in fact, it is not expenditure at all. It is only a transfer from the Revenue Surplus to the Revenue Reserve Fund. So, instead of thanking the Government for showing such an excess, he thought it fit to blame the Government.”

DR. V. K. JOHN:—“Then it is excess expenditure.”

THE HON. SRI B. GOPALA REDDI:—“It is technically called excess expenditure. It has to be shown in one demand.”

“As I said, we shall certainly expedite the 1946-47 Accounts and they will be placed before this House ere long.”

MR. PRESIDENT:—“The House will now adjourn and meet again at 3 p.m. on the 25th instant.”

The House then adjourned.